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ARIZONA CORPORATION COMMISSION

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February 23, 2009

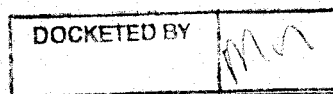
AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

FEB 26 2010

Ms. Patricia Olsen
Montezuma Rimrock Water Company, LLC
PO Box 10
Rimrock, Arizona 86335



Re: ADEQ Non-Compliance

W-04254A-08-0361
W-04254A-08-0362

Dear Ms. Olsen:

It has come to the attention of the Staff of the Arizona Corporation Commission ("the Commission") that Montezuma Rimrock Water Company, LLC ("Company") is not in compliance with the Arizona Department of Environmental Quality's ("ADEQ") arsenic standards. The purpose of this letter is to alert you that the Commission Staff views this status as a matter of concern.

Staff believes that compliance with ADEQ standards is a necessary component of adequate water service. The Commission has the authority to determine whether the service provided by a public service corporation is adequate. Specifically, A.R.S. § 40-321 reads:

When the commission finds that the equipment, appliances, facilities of service of any public service corporation, or the methods of manufacture, distribution, transmission, storage or supply employed by it are unjust, unreasonable, unsafe, improper, inadequate or insufficient, the commission shall determine what is just, reasonable, safe, proper, adequate or sufficient, and shall enforce its determination by order or regulation.

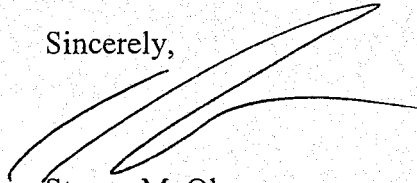
Additionally, A.A.C. R14-2-407(A) and (C) require each public service corporation to provide potable water to customers and to supply a satisfactory and continuous level of service. Your ADEQ deficiencies will likely impact your Company's ability to provide adequate, satisfactory, and continuous service, and these deficiencies should be remedied immediately.

ADEQ has mailed a Consent Order to your Company for ongoing arsenic exceedance which outlined timeframes and listed specific steps your Company needed to take to bring itself into compliance with ADEQ requirements. Staff understands that your Company has refused to sign the Consent Order within the timeframe specified. Within sixty (60) days, please submit to the Utilities Division a detailed plan that addresses and remediates the current problem that has prevented your compliance, explain why you have declined to sign the Consent Order and describe what actions the Company has taken to date to comply with the requirements of the

Consent Order. If a plan is not submitted within sixty (60) days, this issue will be referred to the Commission's Legal Division for possible enforcement action.

Commission Staff awaits your prompt response concerning this serious matter. If you have any questions, please feel free to contact Del Smith, Engineering Supervisor of the Utilities Division, at 602-542-7277 or DSmith@azcc.gov.

Sincerely,

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form the name 'Steven M. Olea'.

Steven M. Olea
Director, Utilities Division
Arizona Corporation Commission

SMO:DWS:red

CC: Legal Division
Del Smith
Kim Battista